

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 2069 - HB 2402

February 25, 2022

SUMMARY OF BILL: Creates a business tax deduction for any private developer that used only permeable concrete in industrial and commercial areas for parking lots. Such deduction is equal to three percent on the amount of business taxes paid by the developer during each business tax period.

Establishes that it is the intent of the General Assembly to appropriate necessary state funds to the Department of Transportation (TDOT) for the development and construction of new public roads and highways utilizing permeable concrete only. Requires the Department to prioritize the development and construction of public roads and highways with proximity to waterways or in low-lying areas and public roads and highways that are otherwise at risk of flooding.

Requires TDOT and local governments to limit the use of porous pavement types for those public roads and highways located in residential or low-traffic areas.

FISCAL IMPACT:

Decrease State Revenue – \$4,000/FY22-23 and Subsequent Years

Increase State Expenditures –

\$16,667,200/FY22-23/Highway Fund

\$28,594,500/FY23-24 and Subsequent Years/Highway Fund

Decrease Local Revenue - \$4,200/FY22-23 and Subsequent Years

Increase Local Expenditures – Exceeds \$10,000,000/FY22-23 and Subsequent Years*

Assumptions:

- Based on information from TDOT, utilizing porous pavement types in certain applications would be significantly costlier than using traditional pavements due to additional material costs, maintenance costs, labor costs, and a lower life expectancy.
- Based on information provided by TDOT, the cost to construct a 1-mile section of hot mix asphalt, or standard overlay, is \$105,163 and the cost to construct a 1-mile section of permeable concrete overlay is \$158,928.
- A cost increase of \$53,765 per mile for using permeable concrete rather than the standard overlay (\$158,928 - \$105,163).

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- TDOT estimates that permeable concrete will be used for approximately 310 miles of state roadway each year.
- A recurring increase in state expenditures of \$16,667,150 (310 miles x \$53,765).
- Based on information from TDOT, there will be cost differences between removal and replacement of standard overlay vs permeable concrete, due to material costs and life cycles of each type of overlay.
- For a standard overlay, which typically lasts approximately 12 years, the cost to remove and replace a 1-mile 2-lane roadway is \$112,000, for an annualized cost for a 310-mile roadway of \$2,893,333 [$(\$112,000 / 12 \text{ years}) \times 310 \text{ miles}$].
- For a permeable concrete overlay, which typically lasts approximately 10 years, the cost to remove and replace a 1-mile 2-lane roadway is \$1,015,735, for an annualized cost for a 310-mile roadway of \$31,487,785 [$(\$1,015,735 / 10 \text{ years}) \times 310 \text{ miles}$].
- An annual increase in state expenditures of \$28,594,452 ($\$31,487,785 - \$2,893,333$).
- An increase in state expenditures in FY22-23 of \$16,667,150.
- A recurring increase in state expenditures in FY23-24 and subsequent years of \$28,594,452.
- This legislation would result in a significant increase in local expenditures for using permeable concrete, rather than standard overlay.
- It is assumed that contractual costs for local governments for materials and labor would be more expensive than state governments, as local governments cannot lock down costs with larger contracts and thus, would pay more for mile.
- Due to numerous unknown variables, any increase in local expenditures cannot be determined with certainty, but are reasonably estimated to exceed \$10,000,000.
- This legislation creates a business tax deduction for any private developer that used only permeable concrete in industrial and commercial areas for parking lots. Such deduction is equal to 3 percent on the amount of business taxes paid by the developer during each business tax period.
- Based on information provided by the Department of Revenue, this legislation will apply to Class 4 filers, who are subject to the business tax rate of 0.1 percent.
- Such tax filers had \$1,101,714,391 in sales for FY20-21.
- It is assumed that approximately 25 percent of such sales were for use of permeable concrete, of \$275,428,598 ($\$1,101,714,391 \times 25\%$).
- This legislation would apply to 3 percent of such sales, or \$8,262,858 ($\$275,428,598 \times 3\%$).
- A decrease in state business tax revenue of \$8,263 ($\$8,262,858 \times 0.1\%$).
- Based on FY20-21 collections data, approximately 49 percent of business tax collections were allocated to the General Fund and approximately 51 percent were allocated to local governments.
- The decrease in state revenue to the General Fund is estimated to be \$4,049 ($\$8,263 \times 49\%$) in FY22-23 and subsequent years.
- The decrease in local revenue is estimated to be \$4,214 ($\$8,263 \times 51\%$) in FY22-23 and subsequent years.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The script is cursive and fluid, with the first letters of each name being capitalized and prominent.

Krista Lee Carsner, Executive Director

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